

Appendix B: Guidelines for Expenditure of Gas Tax Revenue
(Proposition 111 Funds)

TO: BOARD OF SUPERVISORS
FROM: TRANSPORTATION COMMITTEE
DATE: December 3, 1991
SUBJECT: Report on Additional Revenue from Proposition 111

SPECIFIC REQUEST(S) OR RECOMMENDATION(S) & BACKGROUND AND JUSTIFICATION

I. Recommended Action:

1. Accept the following report from the Transportation Committee on the additional local gas tax revenue from Proposition 111.
2. Approve expenditure of the local gas tax revenue from Proposition 111 according to the following guidelines:
 - 70 percent of Proposition 111 revenue for pavement maintenance;
 - 20 percent of Proposition 111 revenue for capital improvements; and
 - 10 percent of Proposition 111 revenue for safety projects
3. Direct the County Administrator to review the funding of the Congestion Management Program and Growth Management Program with any future updates of the Countywide Fee Study, and, if appropriate, to recommend adjusting development fees to include the Congestion Management and Growth Management compliance costs.

II. Financial Impact:

No overall impact to the General Fund with this recommendation. There are "maintenance of effort" requirements included in Proposition 111 which requires maintaining General Fund appropriation for transportation related programs at the same level as the past several years.

Continued on Attachment: X SIGNATURE: _____

____ RECOMMENDATION OF COUNTY ADMINISTRATOR
X RECOMMENDATION OF BOARD COMMITTEE
____ APPROVE ____ OTHER

SIGNATURE(S):

Tom Toorlaksan

ACTION OF BOARD ON December 3, 1991 APPROVED AS RECOMMENDED X OTHER ____

VOTE OF SUPERVISORS

X UNANIMOUS (ABSENT III)
AYES: ____ NOES: ____
ABSENT: ____ ABSTAIN: ____

RMA:cl:fp
c:bop111.t12

attachments

Orig. Div: Public Works (RE)
cc: County Administrator
GMEDA Director
Community Development Department
Accounting } *via COD*
Maintenance }

I hereby certify that this is a true and correct copy of
an action taken and entered on the minutes of the
Board of Supervisors on the date shown.
December 3, 1991

ATTESTED: _____
PHIL BATCHELOR, Clerk of the Board
of Supervisors and County Administrator

By *J. O. Maglio*, Deputy

III. Reasons for Recommendations and Background:

PROPOSITION 111 WILL GENERATE AN ADDITIONAL \$2 MILLION IN REVENUE FOR FISCAL YEAR 1990-1991 AND 2.5 MILLION IN 1991-1992.

Proposition 111, in conjunction with AB 471 (1990) and SB 300 (1990), increased the gas tax by five cents on August 1, 1990 and will add an additional one cent each year for the next four years beginning January 1, 1991. In addition, Proposition 111 increased commercial vehicle weight fees by 40 percent beginning in August 1, 1990 with an additional 10 percent increase on January 1, 1995.

It is estimated that we will receive an additional \$2,000,000 in gas tax revenue in fiscal year 1990/91. That will increase to \$2,500,000 in fiscal year 91/92, \$3,000,000 in fiscal year 92/93, \$3,500,000 in fiscal year 93/94 and \$4,000,000 in fiscal year 94/95. Fiscal year 94/95 will see the last increase in the gas tax which will bring it up to a full 18 cents per gallon. Proposition 111 will provide the County's road program with a significant increase in revenue in the years to come. This report analyzes the impacts of Proposition 111 and recommends guidelines for the use of the funds.

THE COUNTY MUST COMPLY WITH NEW PLANNING REQUIREMENTS IN ORDER TO RECEIVE PROPOSITION 111 FUNDS.

As a requisite to receiving the increased gas tax revenue, Proposition 111 requires preparation of a Congestion Management Program (CMP) for each county that has an urbanized area of 50,000 in population. Contra Costa County qualifies under this definition. The CMP for the County must include each city in the County and be updated annually. The CMP is similar to the Growth Management Program under Measure "C" (1988) which is administered by the Contra Costa Transportation Authority (CCTA). As a result, the County, along with the Cities, has designated the Contra Costa Transportation Authority as the CMP Agency. This way, the CMP for Contra Costa County can be prepared with very little additional cost.

Measure "C" allows the County to use the return to source revenues to administer, monitor and report on the Growth Management program of the Measure. The Board has approved the use of Measure "C" funds for that purpose. Proposition 111 is silent on the funding of CMP compliance costs. This funding void may be corrected by AB 434 which would increase vehicle registration fees to implement certain transportation control projects and provide funding for related planning and technical studies necessary to implement the Clean Air Act. Whether AB 434 gets approved and whether local governments will receive any funding to cover congestion management compliance costs remains to be seen. Any costs to comply with the congestion management planning requirements of Proposition 111, not covered by AB 434 or other proposed legislation, should be incorporated into any future updates of the Countywide Fee Study. The Measure C compliance costs were not included in the Countywide Fee Study recently adopted by the Board. These compliance costs, which are incurred as a result of development in the County, should also be included in any future updates of the Fee Study.

WITHOUT THE PASSAGE OF PROPOSITION 111, OUR ROAD MAINTENANCE AND ROAD ENGINEERING EXPENDITURES WOULD HAVE EXCEEDED OUR GAS TAX REVENUES IN 1994.

The first thing to look at when considering the use of the increased gas tax, is the relationship between our current road fund expenditures and our current road fund revenues, along with the growth projections for each of them. Our current maintenance budget is about 8.3 million dollars per year, while our road engineering budget (including Traffic) is about 1.1 million dollars per year. Both of these budgets have been increasing at about five percent per year over the past several years. On the revenue side, things are a little different in terms of growth. The gas tax is apportioned to the County under Streets and Highways Code Sections 2104, 2105 and 2106. Sections 2104 and 2106 apportion the "historic" gas tax, which is the gas tax revenue prior to the passage of Proposition 111. Section 2105 will apportion the increased gas tax revenue from Proposition 111. The 2106 apportionment, which makes up about 10 percent of our historic gas tax revenue, has remained more or less constant over the last several years. The increases in 2106 funds have been offset by fund reductions due to City annexations in County areas and the resultant reduction in the County's assessed valuation. The 2104 apportionment, which makes up about 90 percent of our current gas tax revenue, has increased slightly over the last several years. The average increase was 1.04 percent over the last three years. The bulk of our revenue, therefore, has been increasing at one percent per year, while our expenditures have been increasing at five percent per year. Prior to Proposition 111

we estimated that by 1994, our maintenance and engineering expenditures would equal our revenue projection, leaving no money for our small capital and safety improvements program. Beyond 1994 we would be in the negative column. This gloomy forecast however has changed now with the passage of Proposition 111.

OUR GAS TAX REVENUE INCREASES ONE PERCENT PER YEAR WHILE OUR EXPENDITURES INCREASE FIVE PERCENT PER YEAR.

For our revenue estimates we have assumed the gas tax will continue to grow at one percent per year. We have also assumed our maintenance and engineering budgets will continue to grow at five percent per year to keep up with inflation. The difference between our total revenue and our expenditures on general road maintenance, road engineering and compliance costs, is the amount available to program for preventative pavement maintenance and capital and safety projects. Table 1 shows our revenue stream, expenditure stream and the resultant amount available for programming for the next 10 years. The revenue side is made up of three components; the historical road fund, Proposition 111 funds and Measure "C" return to source monies. The "historical" road fund includes the revenue from the tax rate imposed on the sale of gasoline and diesel fuel prior to Proposition 111 (historic gas tax), plus future revenue from traffic fines and forfeitures, rental income, and interest income. The bulk of the historic road fund and Proposition 111 funds are estimated assuming a one percent per year increase, which is what we experienced the last three years. Measure "C" is estimated to keep up with an assumed inflation rate of five percent plus three percent actual growth. The Measure "C" forecasts, however, may change in the future as a result of annexations or incorporation.

The expenditure side shows the cost of general road maintenance and road engineering. General road maintenance does not include any preventative maintenance work but provides for routine maintenance to keep the County's 750 miles of roads and 90 bridges safe and functional. Road engineering includes traffic engineering and operations, preparation of the road budget, project programming, alignment studies, project development, project coordination with interested and impacted entities, grant applications, and traffic studies. Planning compliance costs are also shown in Table 1 as an expenditure. These are the costs associated with meeting the Measure "C" growth management requirements and Proposition 111 congestion management requirements, in order to receive Measure "C" return to source monies and Proposition 111 funds. This compliance effort includes maintaining and refining the Circulation/Transportation Element and the County Transportation database, transit planning, TSM, project planning, project development, project programming/prioritization, and monitoring intersection service levels on regional routes. Total expenditures would be reduced if the planning compliance costs were funded by developer fees.

The amount available for programming shown in Table 1 reflects total funds available for preventative pavement maintenance, capital and safety improvements. It does not show anything deducted specifically for safety or capital improvement programs. The data in Table 1 is also shown on Figure 1 in the form of a graph. The dashed lines represent general road maintenance, road engineering and compliance cost expenditures. The solid lines represent revenues from the historic road fund, Proposition 111 funds and Measure "C" return to source monies. The shaded area between the total expenditures and total revenues represents the total funds available for programming. Figure 1 graphically shows that the rate of increase of our revenue is less than the rate of increase of our expenditures.

There has been recent legislative action that will impact our road related revenue stream. The State legislature recently approved a realignment in the State budget that will divert the "fines and forfeitures" revenue that historically went to the County. In exchange, the State will be supporting the court system. This can be seen on Table 1 where after fiscal year 1991/92 the revenue is reduced by the \$500,000 we received each year as "fines and forfeitures."

TO ELIMINATE OUR CURRENT BACKLOG OF ROADS THAT ARE BEYOND PREVENTATIVE MAINTENANCE WOULD COST \$32 MILLION DOLLARS.

The passage of Proposition 13 in 1978 reduced the amount available for our preventative

pavement maintenance program. As a result, we had to prioritize the expenditure of our maintenance dollars for preventative maintenance. Some roads were treated and some were not. Several years after Proposition 13 we began to keep track of the deficiencies in our pavement management program and identified a backlog of roads that were beyond preventative maintenance. This was the subject of a report produced in March 1985, which identified a backlog of \$5,800,000. The report also projected a backlog in fiscal year 89/90 of \$35,000,000 (in 1985 dollars), if the annual road maintenance funding was not increased. The pavement maintenance funding in 1985 was \$2,000,000 per year, which is roughly what we spend today on preventative maintenance. The \$35,000,000 backlog for fiscal year 1989/90 projected in the 1985 report would equate to \$45,000,000 in today's dollars. Information gathered for the 1989-90 Grand Jury investigation of our maintenance program revealed that our 1989-90 backlog was \$32 million. This is less than the projected estimate in our 1985 report, which is due to a reduction in maintained road mileage (853 miles in 1985 vs. 745 in 1989), with the incorporation of Orinda in 1986, and some annexations between then and now. In addition, the passage of SB 300 (1986) several years ago provided a one time windfall of about \$3,000,000 for our pavement maintenance budget.

OUR BACKLOG PROJECTED TO THE YEAR 2000 COULD BE REDUCED TREMENDOUSLY IF MEASURE "C" RETURN TO SOURCE MONIES AND PROPOSITION 111 FUNDS ARE USED TO BOLSTER OUR PAVEMENT MAINTENANCE PROGRAM.

Table 2 shows our annual maintenance backlog with the allocation of 70% of Proposition 111 revenues towards pavement maintenance funding, in conjunction with Measure "C" return to source monies. This shows that by fiscal year 1999/2000, our backlog will be \$275,000,000. Obviously, this size of backlog in the year 2000 is unacceptable and we will need to look for additional funding sources to further reduce the backlog to an acceptable level. However, if no Proposition 111 revenue or Measure "C" return to source monies are infused into our pavement maintenance program at this time, then our backlog in the year 2000 would be \$370,000,000; an increase of approximately 35%.

The revenue estimates shown in Table 2 assume a one percent growth in the gas tax each year and a eight percent growth in the sales tax (Measure "C"). As can be seen, the new source of revenues will not solve our backlog problem. However, it is also evident that if none of the Proposition 111 revenues or Measure "C" monies are spent on our pavement maintenance program, then our backlog will grow tremendously.

WHAT ARE THE CONSEQUENCES OF NOT INVESTING IN OUR PAVEMENT MAINTENANCE PROGRAM?

Most roads are designed for a twenty year life. If no maintenance is performed on a new road, it will, in general, provide good service for ten to fifteen years, at which time failure of the pavement section begins. Between fifteen and twenty years the pavement deteriorates at a rapid rate. By the 20th year the road will have to be repaved or reconstructed, at which time the life/deterioration cycle starts all over again if no maintenance is performed. Our pavement management system is set up to recognize when various roads need a seal coat. Seal coats are applied just prior to the beginning stages of pavement deterioration. When the seal coat is applied prior to the initial stages of pavement deterioration, the pavement life is extended for another five to seven years, at which time another seal coat is applied. By performing these preventative treatments to the pavement, the pavement life can be extended ten to twelve years before the road needs to be repaved. A newly paved road therefore, could last thirty years with preventative maintenance instead of twenty years without maintenance. It costs 50% more to overlay or reconstruct a road every twenty years with no intervening preventative maintenance, than it does to perform preventative maintenance and extend its useful life to thirty years. The consequences, therefore, of not investing in our preventative pavement maintenance program is to incur major capital investment needs to rebuild our road system, rather than a continuous reduced level of funding for preventative maintenance.

THE RECENT GRAND JURY REPORT RECOMMENDS USING MEASURE "C" RETURN TO SOURCE MONIES FOR PAVEMENT MAINTENANCE.

The Board considered the expenditure of Measure "C" return to source monies with the County Road Improvement Policy. This policy, adopted by the Board on May 9, 1989, prioritizes the expenditure of Measure "C" monies as follows:

1. A minimum program level of \$300,000 a year for road safety and hazard elimination projects, less any funds from gasoline tax, federal and state grants.
2. Reconstruction of County roads.
3. Rehabilitation of County roads.
4. Traffic congestion relief of problems which existed before November 1988.

As long as a minimum budget is maintained for safety projects, then the emphasis for expenditure of Measure C funds lies in the pavement maintenance program to reduce the backlog.

The 1989-90 Contra Costa County Grand Jury submitted a report entitled "County Road Preventative Maintenance." This report reveals that the road system in the County is deteriorating at an alarming rate due to declining road maintenance, which has been brought on by escalating maintenance costs and lack of adequate maintenance funding. Their report recommends that the Board of Supervisors pursue ways to generate additional revenue for road maintenance including "priority use of the County's Measure "C" allocation".

PROPOSITION 111 FUNDS, SHOULD BE USED ALONG WITH MEASURE "C" RETURN TO SOURCE MONIES TO BOLSTER OUR PAVEMENT MANAGEMENT SYSTEM AND REDUCE OUR BACKLOG.

The Transportation Committee has discussed the expenditure of Proposition 111 funds and urges the Board to adopt a guideline for expending the new Proposition 111 revenues. For the greatest return on the dollar, the bulk of the revenue should be spent on the pavement maintenance program, however, there is also a desire that some should be expended for safety improvements and for capital improvements. As a result, the Transportation Committee recommends that Proposition 111 funds be spent in the following manner:

1. 70 percent of Proposition 111 revenue for pavement maintenance
2. 20 percent of Proposition 111 revenue for capitol improvements
3. 10 percent of Proposition 111 revenue for safety projects

First priority for the additional maintenance revenue will go to arterials and major thoroughfares. Second priority for the additional maintenance revenue is to prevent roads not on the backlog from deteriorating to a backlog condition. The third priority is to remove roads from the backlog.

Currently, we budget approximately \$300,000 for safety projects and \$300,000 for capital projects from the road fund. The expenditure guideline recommended above would increase our safety projects budget to approximately \$500,000 and our capital budget to approximately \$660,000 for fiscal year 90/91. Table 3 shows the breakdown of funding that would be provided for each of these three programs over the next 10 years if our Proposition 111 revenue was distributed as recommended above. It should be noted that these recommendations go hand in hand with the Grand Jury report on County Road Maintenance.

The above expenditure recommendations combine the gas tax and Measure "C" resources, which together will satisfy the list of improvements identified separately in the County Road Improvement Policy as gas tax expenditure priorities and Measure "C" expenditure priorities. In other words, the combined Proposition 111 and Measure "C" expenditures shown in Table 3 will satisfy the intent of the County Road Improvement Policy, which had identified separate expenditures for Measure "C" revenues and gas tax revenues.

SPENDING PROPOSITION 111 FUNDS AND MEASURE "C" RETURN TO SOURCE MONIES ON REBUILDING OUR ROAD SYSTEM WILL GIVE THE PUBLIC THE GREATEST AMOUNT OF ROADWORK FOR THE DOLLAR.

Not only is expending revenue on our pavement maintenance program a sound investment in our road system, but it is also highly visible to the public and will significantly improve the appearance, durability, and the ride quality of roads in each Supervisorial District. The recommendations made in this report would improve ninety-eight miles of County roads in the form of chip seals and slurry seals, and six miles in the form of overlays or reconstruction over

the next two years, if two thirds of the funds were allocated to surface treatments and one third to overlays and reconstruction.

Discussions these days often center around the level of service of our roads in terms of capacity. Nobody discusses the level of service of our roads in terms of maintenance or serviceability. A road that is not maintained and is allowed to deteriorate will effectively have its capacity reduced as cars are forced to reduce their speed due to a broken and rough pavement surface. As the road deteriorates, the safe speed and the capacity of the road decreases. Several years ago MTC did a study which revealed that poor pavement conditions cost the public \$60 per vehicle per year in terms of additional wear and tear. With the County's 640,000 registered vehicles, that equates to a total cost of \$38,400,000.

IV. Consequences of Negative Action:

There would be no guidelines established for the expenditure of revenue from Proposition 111 and the level of service of our road system would suffer.

TABLE I
REVENUE

DESCRIPTION	Fiscal Year											
	89/90	90/91	91/92	92/93	93/94	94/95	95/96	96/97	97/98	98/99	99/2000	
1) Historic Road Fund												
a. Historic Gas Tax	9,278	9,400	9,480	9,570	9,650	9,740	9,837	9,935	10,035	10,135	10,237	
b. Fines & Forfeitures	500	500	0	0	0	0	0	0	0	0	0	
c. Road & State Rentals	63	65	67	69	71	73	75	77	79	81	83	
d. Interest Earnings	75	75	75	75	75	75	75	75	75	75	75	
SUBTOTAL	9,916	10,040	9,622	9,714	9,796	9,888	9,987	10,087	10,189	10,291	10,395	
2) Proposition 111	-----	2,000	2,500	3,000	3,500	4,000	4,040	4,080	4,120	4,160	4,200	
3) Measure C	1,400	1,512	1,633	1,764	1,905	2,057	2,222	2,399	2,591	2,798	3,022	
TOTAL	11,316	13,552	13,755	14,478	15,201	15,945	16,249	16,566	16,900	17,249	17,617	

EXPENDITURES

DESCRIPTION	Fiscal Year											
	89/90	90/91	91/92	92/93	93/94	94/95	95/96	96/97	97/98	98/99	99/2000	
1) General Road Maintenance	7,056	7,409	7,779	8,168	8,576	9,005	9,455	9,928	10,425	10,946	11,494	
2) Road Engineering	1,100	1,160	1,210	1,270	1,340	1,400	1,470	1,543	1,620	1,701	1,786	
3) Planning Compliance Costs	50	155	355	275	289	303	318	334	351	369	387	
TOTAL	8,206	8,724	9,344	9,713	10,205	10,708	11,243	11,805	12,396	13,016	13,667	
AMOUNT AVAILABLE FOR PROGRAMMING (REVENUE - EXPENDITURES)												
Fiscal Year	89/90	90/91	91/92	92/93	93/94	94/95	95/96	96/97	97/98	98/99	99/2000	
Programmable Funds	3,110	4,828	4,411	4,765	4,996	5,237	5,006	4,761	4,504	4,233	3,950	

NOTE: - All figures in \$1000

- Historic gas tax represents the gas tax revenue prior to Proposition 111 (2104 & 2106).

- Planning compliance costs include those required by both Measure "C" and Proposition 111.

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November 5, 1991

TABLE II
CONTRA COSTA COUNTY
PAVEMENT MAINTENANCE FUNDING

FISCAL YEAR	ANNUAL NEEDS	BACKLOG	TOTAL NEEDS	HISTORIC ROAD FUND	MEAS "C" FUNDS	PROP 111 FUNDS	TOTAL FUNDS	UNMET NEEDS
89/90	5000	32,000	37,000	1200	1350	-----	2,550	34,450
90/91	5250	41,340	46,590	911	1357	1400	3,668	42,920
91/92	5512	51,510	57,020	681	1278	1750	3,209	53,810
92/93	5788	64,570	70,360	466	1489	2100	3,589	66,772
93/94	6077	80,130	86,200	228	1616	2450	3,946	82,260
94/95	6381	98,710	105,090	0	1737	2800	4,037	101,050
95/96	6700	121,260	127,960	0	1466	2828	3,794	124,170
96/97	7035	149,000	156,040	0	1181	2856	3,537	152,500
97/98	7387	183,000	190,390	0	884	2884	3,268	187,120
98/99	7756	224,540	232,300	0	573	2912	2,985	229,320
99/2000	8144	275,180	283,320	0	250	2940	2,690	280,630

NOTES:

- Assumes 70% of Proposition 111 revenues and all available Measure C return to source monies spent on pavement maintenance, while maintaining a safety program and capitol program as recommended in this report (see Table III).
- Backlog equals 1.2 x previous years carryover ("unmet needs")
- Assumes inflation at 5%
- Assumes 5% inflation in Measure C funding each year plus 3% growth (8% total)
- Assumes 1% growth in Proposition 111 funding each year
- All figures in \$1000

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November 6, 1991

TABLE III

Expenditure By Program Over The Next Ten Years

FISCAL YEAR	PAVEMENT MANAGEMENT PROGRAM			SAFETY PROGRAM			CAPITAL PROGRAM			TOTAL
	Historic Road Funds	Proposition 111	Measure C	Historic Road Funds	Proposition 111	TOTAL	Historic Road Funds	Proposition 111	TOTAL	
89/90	1200	---	1350	300	---	300	260	---	260	3,110
90/91	911	1400	1357	300	200	500	260	400	660	4,828
91/92	181	1750	1278	226	250	476	226	500	726	4,411
92/93	---	2100	1489	138	300	438	138	600	738	4,765
93/94	---	2450	1496	---	350	350	---	700	700	4,996
94/95	---	2800	1237	---	400	400	---	800	800	5,237
95/96	---	2828	966	---	404	404	---	808	808	5,006
96/97	---	2856	681	---	408	408	---	816	816	4,761
97/98	---	2884	384	---	412	412	---	824	824	4,504
98/99	---	2912	73	---	416	416	---	832	832	4,233
99/2000	---	2690	---	---	420	420	---	840	840	3,950

NOTE:

All figures in \$1000

The amount of Proposition 111 revenues available for programming is shown apportioned 70% to the pavement management program, 10% to the safety improvements program, and 20% to the capital program. To show the impact of Proposition 111 funds, all expenditures shown in Table I are deducted from the Historic Road Funds and from Measure C. Compliance costs are deducted from Measure C only.

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November 5, 1991

